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SUBJECT: AGOA 2008 ELIGIBILITY REVIEW - CHAD

REF: STATE 85086

11. Per REFTEL, Embassy N'djamena submits the following updated AGOA eligibility information in the requested format.

12. Country: Chad
Current AGOA Status: Eligible

13. Country Background: Chad's current estimated population is about 9.4 million and the GDP is estimated to be about \$5 billion. The per capita income was an estimated \$550. President Deby has governed since taking power by coup d'etat in 1991. The May 2006 presidential election was flawed and major political opposition groups did not participate. The next presidential elections are scheduled for 2011. Fighting between rebel groups and government security forces continued for the past two years which has led to an unstable and unpredictable economic environment.

The Government of Chad has committed to use oil revenues for poverty reduction; however, an uneven record in disbursement of oil revenue funds for poverty reduction projects, and continued human rights violations all indicate that Chad's record on democracy and good governance requires improvement. The World Bank and the GOC reached an agreement in 2006 on the management of oil revenues which allowed the government to use some oil revenues for defined security purposes in addition to social spending. During the year, however, the government of Chad withdrew its commitments to the GOC-Bank relationship in the oil sector by repaying approximately \$60 million in debt to the Bank to finance the GOC's participation in the Cameroon-Chad oil pipeline project.

1I. Market-based Economy

1A. Major Strengths Identified

-- As a result of the high international price of oil, the GOC has seen a significant boost in tax receipts from the Chad-Cameroon oil pipeline project. The U.S.-supported consortium continues to bring new fields on-line and conduct exploration.

-- Chad's Government joined the Extractive Industry Transparency Initiative (EITI) in August 2007. Much work remains for the GOC to meet all conditions, but the government has expressed commitment to EITI.

1B. Major Issues/Problems Identified

-- Barriers to economic growth, investment and trade include high transport costs, poor infrastructure, unreliable utility services (especially water and energy), limited access to credit and technology, lack of capacity for quality accreditation and limited skills.

-- The absence of the World Bank in an oversight capacity puts into question the ability of the government to continue to pursue the numerous reform and development programs

suggested by the international community. Development programs have been initiated to improve infrastructure, utilities, and human capital.

-- Chad runs the risk of losing access to the IMF's Poverty Reduction and Growth Facility due to weak fiscal discipline.

-- Chad's cotton industry has experienced a continuing decline in recent years and the World Bank-supported effort to privatize the country's cotton parastatal has yet to be implemented.

-- Chad's current weak business environment constrains private sector-led development. Chad ranks 173 out of 178 countries on the World Bank's global ranking of the ease of conducting business.

II. Political Reforms/Rule of Law/Anti-Corruption

A. Major Strengths Identified

-- A political agreement between the ruling party and the opposition political party concluded on August 2007 which, if fully implemented, would make Chad's electoral system more credible and improve next presidential election conditions.

-- A new "government of national reconciliation" was named in April 2008 which brought key former opposition politicians into the government and adopted a program that included electoral reform, good governance, press freedom. It also promised to reduce corruption, official impunity and indiscipline on the part of the security forces.

B. Major Issues/Problems

-- Continued feuding between rebel groups and government security forces has undermined confidence in Chad's economic stability. Passage of the 2007-2008 budget was delayed for many months.

-- Corruption remains a major impediment to economic development. According to the Transparency International Index, Chad (in a tie) is the 8th most corrupt country in the world.

-- There is near total impunity for human rights abuses committed by member of the security forces, which include extrajudicial killings, torture, beatings, and rapes.

-- The judiciary is ineffective, under funded, overburdened, vulnerable to acts of intimidation and violence, and subject to executive interference. In practice, government officials and other influential persons often enjoyed immunity from judicial sanction.

III. Poverty Reduction

A. Major Strengths Identified

-- Government allocates significant resources to poverty reduction priority sector services, such as education, health and agriculture development. Such resources are protected in the national budget due to an 2006 agreement between the GOC and the World Bank that committed 70 percent of the country's budgetary resources to poverty reduction.

-- The IMF and the GOC continue to discuss the implementation of a renewal of Chad's Poverty Reduction and Growth Facility.

B. Major Issues/Problems Identified

-- Poverty is still widespread. According to the Human Development Index, Chad ranks near the bottom at 171 place out of 177 countries.

- The Oil Revenue Management Oversight body identified serious problems with contracts in poverty reduction projects in its 2005 report.

IV. Worker's Rights/Child Labor/Human Rights

1A. Major Strengths Identified

- Worker's and children's rights are legally protected.
- The Government is currently harmonizing its legal code with international labor conventions and standards. Labor unions continue to play a role in promoting workers rights.
- In 2007, the government acknowledged that under-age military recruitment was a serious problem and signed an agreement with UNICEF to demobilize child soldiers and integrate them into civilian life.

1B. Major Issues/Problems Identified

- Although there were no reports that it was used, an ordinance requires the authorization of the Ministry of Interior before employees can legally join or form unions.
- Child labor remains a serious problem.
- Following the attacks against the capital by Chadian rebels in February, human rights groups have reported cases of forced recruitment into the national army. Security forces operate with impunity and are responsible for numerous extrajudicial killings.
- Incidences of tampering with freedom of speech and the press, including harassment and detention of journalists, have also been reported.
- Prison conditions continue to remain harsh and a threat to human rights.
- Violence against women continues to be a widespread and serious problem.

1V. International Terrorism/U.S. National Security

1A. Major Strengths Identified

- Counterterrorism is a priority for the Chadian Government.
- The Government has identified its weaknesses in securing its borders and the need for more training and equipment for border and airport security and the importance of undertaking an anti-corruption campaign.

1B. Major Issues/Problems Identified

- The country's rugged terrain, porous borders, and the lack of equipment for military and national police hinder the Government's ability to combat terrorist activity.

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